

Hearing Date: July 24, 2003 at 10:00 a.m.
Objections Due: July 21, 2003 at 4:00 p.m.

KIRKLAND & ELLIS LLP
Citigroup Center
153 East 53rd Street
New York, New York 10022-4675
Telephone: (212) 446-4800
Facsimile: (212) 446-4900
Matthew A. Cantor (MC-7727)
Jonathan S. Henes (JH-1979)

Attorneys for Debtors and Debtors in Possession

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

	X	
In re	:	
	:	Chapter 11 Case No.
Allegiance Telecom, Inc., <u>et al.</u> ,	:	03-13057 (RDD)
	:	
Debtors.	:	Jointly Administered
	X	

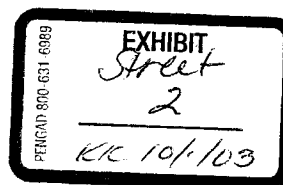
**MOTION OF THE DEBTORS PURSUANT TO SECTIONS
105 AND 363 OF THE BANKRUPTCY CODE FOR APPROVAL
OF SERVICES AGREEMENT WITH IMPALA PARTNERS, LLC**

TO THE HONORABLE ROBERT D. DRAIN,
UNITED STATES BANKRUPTCY JUDGE:

Allegiance Telecom, Inc. and its direct and indirect subsidiaries, as debtors and
debtors in possession (collectively, "Allegiance" or the "Debtors"), respectfully represent:

Introduction

1. On May 14, 2003 (the "Commencement Date"), the Debtors each commenced with this Court a voluntary case under chapter 11 of title 11 of the United States Bankruptcy Code (the "Bankruptcy Code"). The Debtors are authorized to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107 and



1108 of the Bankruptcy Code. The Debtors' chapter 11 cases have been consolidated for procedural purposes only and are being jointly administered pursuant to rule 1015(b) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules").

2. No trustee or examiner has been appointed in these chapter 11 cases. On May 28, 2003, pursuant to sections 1102 of the Bankruptcy Code, the United States Trustee for the Southern District of New York (the "U.S. Trustee") appointed a statutory committee of unsecured creditors (the "Creditors' Committee") in these chapter 11 cases.

Jurisdiction

3. This Court has subject matter jurisdiction to consider and determine this Motion pursuant to 28 U.S.C. § 1334. This is a core proceeding within the meaning of 28 U.S.C. § 157(b). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

Background

4. Allegiance is a facilities-based national local exchange carrier that provides integrated telecommunications products and services to small and medium-sized business customers, large businesses (i.e., national customers with multiple locations), governmental entities, wholesale customers and other institutional users. Allegiance offers its customers a variety of services, including:

- local and long distance voice services, including basic telephone services and advanced calling features;
- broadband and other Internet and data services, including high-speed Internet access, wide area network interconnection, domain name registration, web hosting, email and colocation services;
- integrated local long distance/Internet access offerings, which provide customers with integrated voice and Internet access over a single broadband line;

- wholesale services to other regional and national service providers, including equipment colocation, managed modem ports and Internet protocol traffic aggregation; and
- customer premise equipment sales and maintenance services.

5. As of the Commencement Date, Allegiance served more than 100,000 business customers in 36 markets. As of the Commencement Date, Allegiance employed approximately 3,560 people, of which approximately 97 employees were covered by collective bargaining agreements.

6. As of the Commencement Date, the Debtors had approximately \$245 million of cash. As of March 31, 2003, the Debtors' consolidated books and records reflected assets totaling approximately \$1.349 billion and liabilities totaling approximately \$1.424 billion. For the three months ending March 31, 2003, the Debtors, on a consolidated basis, reported revenues of approximately \$204.58 million and net losses of approximately \$120.084 million.

The Debtors Decision to Retain a Chief Restructuring Officer

7. Prior to the Commencement Date, the Debtors, in the exercise of their sound business judgment - and in recognition of the distressed economic environment and the need for the Debtors' businesses to focus on profitability instead of high revenue growth - determined that a meaningful de-leveraging of their capital structure was crucial for the preservation and maximization of the value of their businesses. In that regard, the Debtors, in conjunction with their financial advisors (*i.e.* Greenhill & Company) and the Board of Directors of Allegiance, began determining the appropriate capital structure for their business operations. After determining the appropriate capital structure, the Debtors commenced negotiations with their prepetition senior secured lenders (the "Prepetition Lenders") to effectuate a restructuring transaction.

8. In connection with these negotiations, the Prepetition Lenders requested that the Debtors retain a restructuring advisory firm to assist the Debtors in their operational restructuring. After extensive discussions with the Prepetition Lenders and significant internal consideration, the Debtors, after the Commencement Date, determined that retaining the services of such a firm was desirable for three main reasons. First, to minimize disruptions to their business resulting from the commencement of these chapter 11 cases, the Debtors believed that it was critical to allow their senior executives to continue their focus on running the day-to-day operation of the business. In that regard, the Debtors decided that the most advantageous means of achieving this was to retain a firm with restructuring expertise to fill the management role of determining how to best use the bankruptcy process for unnecessary and burdensome costs. Second, the Debtors, through outstanding leadership, have been able to retain the majority of their original management team. While this has provided the Debtors' business with stability and consistency, the Debtors determined that it would be in their best interests to retain outside executives to work at the Debtors on a day-to-day basis and perform an objective analysis of the Debtors' business operations and develop proposals, to be presented to the Special Committee (as defined below), for the future makeup thereof. Third, in these chapter 11 cases, the Debtors seek to achieve a consensual restructuring with their creditor constituencies, but, at the same time, recognize that a successful restructuring will include a substantial reduction of their outstanding indebtedness. A substantial de-leveraging of indebtedness may result in contentious negotiations between the Debtors and certain of their creditor constituencies. Thus, it is critical that the Debtors present their creditor constituencies with comprehensive and thoughtful analyses regarding the projected operating performance of their businesses and ability to service debt, which will provide the basis for the Debtors' need to de-leverage.

9. After making the determination that it was in the best interests of the Debtors and their estates to retain a chief restructuring officer, the Debtors commenced the process of searching for and interviewing appropriate individuals and firms. In that regard, the Debtors located a number of potential candidates, which were based on referrals from the Prepetition Lenders and other parties, to interview for the position. After conducting extensive interviews of each candidate,¹ the Debtors, subject to Court approval, selected Impala Partners LLC ("Impala") to be the Debtor's Chief Restructuring Officer. The Debtors selected Impala based on the reasons set forth below.

Information About Impala

10. Impala, which was founded in 1997, is a financial advisory and interim management boutique. Impala specializes in working with companies and creditors in out-of-court workouts and chapter 11 cases. Impala has served as interim managers and financial advisors in financially complex bankruptcies and workouts involving billions of dollars in debt. In that regard, Impala has gained expertise in operating a business through distressed situations and analyzing businesses to determine strategies for both increasing revenue and reducing costs. Representative telecommunication clients include Winstar Communications Inc., Velocite, ICG Communications, Metromedia Fiber Network Services, Inc., and KMC Telecom, Inc.

Relief Requested

11. By this motion, the Debtors request entry of an order, pursuant to sections 105(a) and 363 of the Bankruptcy Code, approving the services agreement (the "Agreement"), dated as of July 11, 2003, between the Debtors and Impala, a copy of which is annexed hereto as

¹ The Prepetition Lenders interviewed the candidates as well.

Exhibit "A." A summary of the material terms and conditions of the Agreement is set forth herein. Impala's qualifications, compensation and disinterestedness are set forth in the appended Affidavit of Paul Street (the "Street Affidavit"), attached hereto as Exhibit "B," filed in support of the Motion.

Services to be Rendered

12. Subject to further order of this Court, the services that Impala will be asked to render to the Debtors are set forth in the Agreement.

13. More specifically, the terms of the Agreement, including the services to be performed, are as follow:²

(a) **Services.** Impala shall serve as the Debtors' chief restructuring officer and provide advice and information to the Debtors in connection with its restructuring efforts in these chapter 11 cases. Impala shall report to the Debtors' special restructuring committee of independent directors of the board of directors (the "Special Committee") and shall include in such reporting those members of management as directed by the Special Committee.

(b) **Term.** The term of the Agreement shall commence on the date of approval of the Agreement by the Bankruptcy Court (the "Effective Date") and shall continue in full force and effect until first anniversary thereof, subject to either earlier termination or extension of such period by written agreement executed by Impala and the Debtors (the "Term").

(c) **Compensation for Services.** As compensation for Impala's services under the Agreement, the Debtors shall pay to Impala a fee of \$ 250,000 for each 30 days work (a "Monthly Fee Payment"), payable in advance. The first payment shall be due by the Debtors and payable to Impala on the Effective Date and each Monthly Fee Payment shall be due and payable 30 days thereafter.

i. As additional compensation for Impala's services under the Agreement, the Debtors agree to pay, subject to Bankruptcy Approval, to Impala a mutually acceptable success fee (the "Success Fee"). The terms of the Success Fee shall be negotiated between and agreed upon by the Debtors and Impala during the first forty-five days following the Effective Date. If the Debtors and Impala are unable to agree upon the Success Fee within forty-five days of the Effective Date, either party shall have

² To the extent there are any inconsistencies between the summary description of the Agreement contained herein and the terms and conditions of the Agreement, the terms of the Agreement shall control. Any capitalized terms used herein which are not defined herein shall have the meaning ascribed to them in the Agreement.

the right to terminate the Agreement, in which case the Debtors shall have no obligation with regard to the Success Fee. After the Debtors and Impala agree on the Success Fee, but prior to filing an application with the Bankruptcy Court to approve the Success Fee, the Debtors and Impala shall consult with the Prepetition Lenders, the Creditors Committee and the U.S. Trustee, regarding the Success Fee and the justification for the Success Fee. To the extent the Prepetition Lenders, the Creditors Committee and/or the U.S. Trustee have any issues or concerns with respect to the Success Fee, the Debtors and Impala shall, for a period of ten days, attempt to resolve with the Prepetition Lenders, the Creditors Committee and/or the U.S. Trustee, in good faith, such issues and/or concerns. If the Debtors and Impala are not able to resolve such issues and/or concerns with the Prepetition Lenders, the Creditors Committee and/or the U.S. Trustee within such ten day period, Impala may file an application with the Bankruptcy Court to approve the Success Fee on no less than twenty-days notice. Notwithstanding the foregoing, the Success Fee shall be payable in accordance with the requirements of section 330 of the Bankruptcy Code.

(d) **Expense Reimbursement.** In addition to the monthly fee payments and Success Fee, the Debtors agree to reimburse Impala for all reasonable out-of-pocket expenses incurred by Impala in carrying out the terms of the Agreement, including communication charges, travel expenses, copying expenses, delivery and distribution charges, and reasonable fees and expenses of legal counsel that Impala determines is required to advise Impala in connection with carrying out its duties under the Agreement; provided, however, that a request for any such fees and expenses must be filed with the Bankruptcy Court in accordance with the "order establishing procedures for the compensation of professionals" entered therein. All reimbursements shall be made promptly after such payments accrue and are submitted to the Debtors with appropriate documentation for payment hereunder.

(e) **Access to Information.** The Debtors agree to furnish, or cause to be furnished, to Impala such current, historical and projected financial information and other information regarding the business of the Debtors as Impala may request from time to time. The Debtors agree to make available to Impala such representatives of the Debtors, including, among others, directors, officers, employees, outside counsel and independent certified accountants, as Impala may request from time to time. The Debtors represent and warrant to Impala that all such information provided to Impala will be as complete and correct as possible under the circumstances and will not contain any known untrue statements of material fact or omit to state a known material fact necessary in order to make the statements therein not misleading in light of the circumstances under which the statements are made. The Debtors agree to keep Impala advised of all developments materially affecting the Debtors or its financial or legal position. The Debtors represent and warrant to Impala that any projections or other information provided to Impala will have been prepared in good faith and will be based upon assumptions which, in light of the circumstances under which they are made, are reasonable. The Debtors acknowledge and agree that, in rendering its services hereunder, Impala will be using and relying on the information provided to it by the Debtors and its representatives without independent verification by Impala. Impala does not assume responsibility for the accuracy or completeness of any of such information.

(f) **Role as Advisor.** It is hereby agreed by the Debtors and Impala, that in performing its services under the Agreement, Impala is not assuming any responsibility for the Debtors' decision to pursue (or not to pursue) any business strategy or to effect (or not to effect) any transaction. It is further agreed that neither Impala nor any other Indemnified Party (as hereinafter defined) shall be liable to the Debtors or any affiliate of the Debtors in connection with any matter arising out of or relating to the engagement of Impala under the Agreement, or any actions taken or omitted to be taken, services performed or matters contemplated by or in connection with the Agreement, except to the extent that such liability is finally judicially determined to have resulted primarily from the willful misconduct or gross negligence of such Indemnified Party. Impala's primary responsibility is to advise on the operational restructuring of the Debtors, including but not limited to (a) the reduction of costs and increase in efficiencies; (b) the improvement in sales productivity and profitability; (c) management of the "operational bankruptcy task forces"; and (iv) developing the Debtors' long-term business strategy.

(g) **Communications with Creditors.** Impala agrees that the work product it produces shall be shared with the Prepetition Lenders, the Creditors Committee and their respective counsel and advisors (collectively, the "Interested Parties"), subject to appropriate confidentiality measures as it relates to members of the Creditors Committee that are competitors of the Debtors. In addition, as an officer of the Debtors, serving at the pleasure of the Special Committee, Impala shall communicate with the Interested Parties. Impala agrees to (a) maintain a log of all communications, both verbal and written, with the Interested Parties, (b) respond promptly to inquiries made by the Interested Parties and (c) promptly report to the Special Committee regarding all communications with the Interested Parties.

(h) **Confidentiality.** All information provided by the Debtors to Impala will be considered as confidential information and shall be maintained as such by Impala, except to the extent that Impala shall be required to disclose such information pursuant to the laws, rules or regulations of any governmental authority, by compulsion of civil or criminal process or by any court of competent jurisdiction acting pursuant to its powers. It is understood and agreed that confidential information shall not include any information provided by the Debtors to Impala that: (a) is known to Impala prior to disclosure thereof by the Debtors, (b) hereafter becomes, other than through no fault of Impala, generally available to the public, (c) is disclosed to Impala by a third party other than in breach of an obligation of confidentiality owed by such third party to the Debtors, or (d) is independently developed by Impala.

(i) **Termination.** The Debtors or Impala may, at any time, terminate the Term and the Agreement, without liability or continuing obligation, by providing thirty (30) days prior written notice thereof to the other party; provided, however, that except as to the payment of the Success Fee provided in Section 2 of the Agreement, no termination of the Term and the Agreement or expiration of the Term shall affect Impala's right to receive, and the Debtors' obligation to provide: (a) indemnification; or (b) the payments required by the Agreement. To the extent the Agreement is terminated, Impala shall reimburse the Debtors for any payments received that are not yet earned.

(j) **Indemnification.** To the extent consistent with the Debtors obligations to indemnify its officers and directors, the Debtors agree to indemnify and hold harmless Impala and each of its members, managers, officers, agents, employees and controlling persons (within the meaning of the Securities Act of 1933, as amended) (each, an "Indemnified Person") against any losses, claims, damages or liabilities (or actions or proceedings in respect thereof) brought by any third party (i.e., a person not a party to the Agreement or an Indemnified Party hereunder) arising out of or related to the Agreement, any actions taken or omitted to be taken by an Indemnified Party (including acts or omissions constituting ordinary negligence) in connection with the Agreement and will reimburse each Indemnified Person for all reasonable legal and other expenses as incurred in connection with investigating or defending any such loss, claim, damage, liability, action or proceeding; provided, however, that the Debtors will not be liable in any such case for losses, claims, damages, liabilities or expenses which are finally judicially determined to have resulted primarily from the gross negligence or willful misconduct of any Indemnified Party. In case any proceeding shall be instituted involving any Indemnified Party, such person shall promptly notify the Debtors, and the Debtors, upon the request of the Indemnified Party, shall retain counsel reasonably satisfactory to the Indemnified Party to represent the Indemnified Party and any others the Debtors may designate in such proceeding and shall pay all reasonable fees and expenses of such counsel related to such proceeding. In any such proceeding, any Indemnified Party shall have the right to retain its own counsel at its own expense, except that the Debtors shall pay as incurred the fees and expenses of counsel retained by the Indemnified Party only in the event that (i) the Debtors and the Indemnified Party shall have mutually agreed to the retention of such counsel, or (ii) the named parties to any such proceeding (including any impleaded parties) include both the Debtors and the Indemnified Party and representation of both parties by the same counsel would be inappropriate, in the reasonable opinion of the Debtors, due to actual or potential differing interests between them.

The Debtors will not, without the prior written consent of Impala, settle or compromise or consent to the entry of any judgment in any pending or threatened claim, action, suit or proceeding in respect of which indemnification may be sought hereunder unless such settlement, compromise or consent includes an unconditional release of each party for which indemnification is sought hereunder from all liability arising out of such claim, action, suit or proceeding.

In the event that the indemnity provided for in the Agreement is unavailable or insufficient to hold any Indemnified Party harmless, then the Debtors shall contribute to amounts paid or payable by an Indemnified Party in respect of such Indemnified Party's losses, claims, damages and liabilities as to which the indemnity provided for in the Agreement is unavailable or insufficient, except for acts of gross negligence or willful misconduct, (i) in such proportion as appropriately reflects the relative benefits received by the Debtors, on the one hand, and Impala, on the other hand, in connection with the matters as to which such losses, claims, damages or liabilities relate, or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as appropriately reflects not only the relative benefits referred to in clause (i) but also the relative fault of the Debtors, on the one hand, and Impala, on the other hand, as well as any other equitable considerations. The amounts paid or payable by a party in respect of losses, claims, damages and liabilities referred to above

shall be deemed to include any reasonable legal or other fees and expenses incurred in defending any litigation, proceeding or other action or claim.

14. Impala's decision to accept its engagement to assist the Debtors is contingent upon Impala's ability to be retained in accordance with terms and conditions of the Agreement, including the indemnification provisions.

15. The services listed above are vital to the success of these chapter 11 cases, and the Debtors require Impala to render such services. The Debtors' believe Impala's involvement with the Debtors' situation will be beneficial and in the best interest of all parties involved and will serve to preserve the estate. Accordingly, the Debtors believe that Impala is well qualified to perform these services and to assist the Debtors in these cases.

Basis for Relief

16. Section 363 of the Bankruptcy Code provides that transactions not in the ordinary course of business must be approved by Court order. Courts within the Second Circuit routinely have held that transactions should be approved under section 363 of the Bankruptcy Code when they are supported by the sound business judgment of management. See, e.g., Comm. of Equity Security Holders v. Lionel Corp. (In re Lionel Corp.), 722 F.2d 1063 (2d. Cir. 1983) (outlining requirements for the sale of assets under section 363(b)). Indeed, bankruptcy courts in this District and other districts have authorized the employment by a debtor of a chief restructuring officer pursuant to section 363 of the Bankruptcy Code. See In re Iridium Operating LLC, et al. Case Nos. 99-45005 CB and 99-45006 CB (Bankr. D. Del. 1999); In re Bill's Dollar Stores, Inc., Case No. 01-0435 (PWJ) (Bankr. D. Del. 2001).

17. Similar management services agreements have been approved by this Court and other courts, pursuant to sections 105 and 363 of the Bankruptcy Code. See, e.g. In re

Metromedia Fiber Network, Inc. ("MFN"), Case Nos. 02-22736 - 02-22742-ASH, 02-22744 - 02-22746-ASH, and 02-22751 - 02-22754-ASH (Bankr. S.D.N.Y. 2002), (a restructuring firm engaged as an independent contractor to serve as the debtors' Chief Restructuring Officer, a member of the Boards of Directors; and a member of the Executive Committee of the Boards of Directors); In re Malden Mills Indust., Inc., Nos. 01-47214-JBR - 01-47217-JBR (Bankr. W.D. Mass. 2001) (a restructuring firm engaged as Chief Restructuring Officers for debtors).

18. Court approval is warranted here because the Debtors have exercised their sound business judgment in determining that their entry into the Agreement with Impala is in the best interests of their estates and creditors. As indicated herein, Impala is fully skilled and capable of providing the critical services to the Debtors as such are detailed herein and in the Agreement.

Waiver of Memorandum of Law

19. Because there are no novel issues of law presented herein, the Debtors respectfully request that the Court waive the requirement that the Debtors file a memorandum of law in support of this Motion pursuant to rule 9013-1(b) of the Local Bankruptcy Rules for the Southern District of New York.

Notice

20. Notice of this Motion has been provided to (i) the U.S. Trustee, (ii) attorneys for the Prepetition Lenders, (iii) attorneys for the Creditors' Committee, and (iv) all parties on the Master Service List maintained in these chapter 11 cases. In light of the nature of the relief requested, the Debtors submit that no further notice is required.

No Prior Request

21. No prior motion for the relief requested herein has been made to this or any other court.

WHEREFORE, the Debtors request the Court grant it the relief requested herein and such other and further relief as is just.

Dated: New York, New York
July 11, 2003

Respectfully submitted,

/s/ Jonathan S. Henes
Matthew A. Cantor (MC-7727)
Jonathan S. Henes (JH-1979)
KIRKLAND & ELLIS LLP
Citigroup Center
153 East 53rd Street
New York, New York 10022-4675
Telephone: (212) 446-4800
Facsimile: (212) 446-4900

Attorneys for Debtors and Debtors in Possession



**IMPALA
PARTNERS, LLC**

Impala Partners, LLC
18 Marshall Street
Suite 112
Norwalk, Connecticut 06854

July 11, 2003

Dan Yost
President and COO
Allegiance Telecom, Inc.
9201 N. Central Expressway
Dallas, Texas 75231

Dear Dan:

This letter agreement (this "Agreement") confirms the engagement of Impala Partners, LLC ("Impala") to serve as the chief restructuring officer of Allegiance Telecom, Inc., a Delaware corporation and its subsidiaries and affiliates (collectively, the "Company"), in connection with the financial restructuring of the Company (the "Restructuring").

The Company is presently operating as debtor in possession in a case pending under Chapter 11 of Title 11 of the United States Code, 11 U.S.C. § 101, et seq. (the "Bankruptcy Code") before the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") under Case No. 03-13057 (RDD). It is understood and agreed by Impala and the Company that the obligations of each party hereto is subject to the approval of the Bankruptcy Court. Within ten (10) business days after the execution and delivery of this Agreement, the Company shall file with the Bankruptcy Court motion papers requesting an order authorizing and approving this Agreement and its terms and conditions. The order authorizing this Agreement must be acceptable to Impala in its sole discretion and shall approve the terms of this Agreement, including, without limitation, that: (i) Impala shall not be required to maintain time records or file fee applications with the Bankruptcy Court for payment, (ii) Impala shall be paid in accordance with the terms of this Agreement without further application to the Bankruptcy Court, and (iii) all obligations of the Company hereunder to Impala (including any indemnification obligations of the Company contained in Section 14 hereof) shall be afforded administrative expense priority status.

Services. Impala shall serve as the Company's chief restructuring officer and provide advice and information to the Company in connection with the Restructuring. Impala's specific responsibilities are set forth below in paragraph 5. Impala shall report to the Company's special restructuring committee of independent directors of the board

of directors (the "Special Committee") and shall include in such reporting those members of management as directed by the Special Committee.

1. Term. The term of this Agreement shall commence on the date of approval of this Agreement by the Bankruptcy Court (the "Effective Date") and shall continue in full force and effect until the date that is one (1) year thereafter, subject to earlier termination pursuant to Sections 2 or 9 hereof or extension of such period by written agreement executed by Impala and the Company (the "Term").

2. Compensation for Services.

(a) As compensation for Impala's services under this Agreement, the Company shall pay to Impala a fee of \$ 250,000 for each 30 days work (a "monthly fee payment"), payable in advance. The first payment shall be due by the Company and payable to Impala on the Effective Date and each monthly fee payment shall be due and payable 30 days thereafter.

(b) As additional compensation for Impala's services under this Agreement the Company agrees to pay, subject to Bankruptcy Court approval, to Impala a mutually acceptable success fee (the "Success Fee"). The terms of the Success Fee shall be negotiated and agreed between the Company and Impala during the first forty-five days following the Effective Date. If the parties are unable to agree upon such Success Fee within forty-five days of the Effective Date, either party shall have the right to terminate this agreement, in which case the Company shall have no obligation with regard to the Success Fee. After the Company and Impala agree on the Success Fee, but prior to filing an application with the Bankruptcy Court to approve the Success Fee, the Company and Impala shall consult with the Company's lenders, the creditors committee and the United States Trustee for the Southern District of New York (the "U.S. Trustee") regarding the Success Fee and the justification for the Success Fee. To the extent the Company's lenders, the creditors committee and/or the U.S. Trustee have any issues or concerns with respect to the Success Fee, the Company and Impala shall, for a period of ten days, attempt to resolve with the Company's lenders, the creditors committee and/or the U.S. Trustee, in good faith, such issues and/or concerns. If the Company and Impala are not able to resolve such issues and/or concerns with the Company's lenders, creditors committee and/or the U.S. Trustee within such ten day period, Impala may file an application with the Bankruptcy Court to approve the Success Fee on no less than twenty days notice. Notwithstanding the foregoing, the Success Fee shall be payable in accordance with the requirements of section 330 of the Bankruptcy Code.

3. Expense Reimbursement. In addition to the monthly fee payments and Success Fee, the Company agrees to reimburse Impala for all reasonable out-of-pocket expenses incurred by Impala in carrying out the terms of this Agreement, including communication charges, travel expenses, copying expenses, delivery and distribution charges, and reasonable fees and expenses of legal counsel that Impala determines is required to advise Impala in connection with carrying out its duties under this

Agreement; provided, however, that a request for any such fees and expenses must be filed in the Company's chapter 11 cases pending in the United States Bankruptcy Court for the Southern District of New York in accordance with the "order establishing procedures for the compensation of professionals" entered therein. All reimbursements shall be made promptly after such payments accrue and are submitted to the Company with appropriate documentation for payment hereunder.

4. Access to Information. Subject to paragraph 8 herein, the Company agrees to furnish, or cause to be furnished, to Impala such current, historical and projected financial information and other information regarding the business of the Company as Impala may request from time to time. The Company agrees to make available to Impala such representatives of the Company, including, among others, directors, officers, employees, outside counsel and independent certified accountants, as Impala may request from time to time. The Company represents and warrants to Impala that all such information provided to Impala will be as complete and correct as possible under the circumstances and will not contain any known untrue statements of material fact or omit to state a known material fact necessary in order to make the statements therein not misleading in light of the circumstances under which the statements are made. The Company agrees to keep Impala advised of all developments materially affecting the Company or its financial or legal position. The Company represents and warrants to Impala that any projections or other information provided to Impala will have been prepared in good faith and will be based upon assumptions which, in light of the circumstances under which they are made, are reasonable. The Company acknowledges and agrees that, in rendering its services hereunder, Impala will be using and relying on the information provided to it by the Company and its representatives without independent verification by Impala. Impala does not assume responsibility for the accuracy or completeness of any of such information.

5. Role as Advisor. It is hereby agreed by the Company and Impala, that in performing its services under this Agreement, Impala is not assuming any responsibility for the Company's decision to pursue (or not to pursue) any business strategy or to effect (or not to effect) any Transaction. It is further agreed that neither Impala nor any other Indemnified Party (as hereinafter defined) shall be liable to the Company or any affiliate of the Company in connection with any matter arising out of or relating to the engagement of Impala under this Agreement, or any actions taken or omitted to be taken, services performed or matters contemplated by or in connection with this Agreement, except to the extent that such liability is finally judicially determined to have resulted primarily from the willful misconduct or gross negligence of such Indemnified Party. Impala's primary responsibility is to advise on the operational restructuring of the Company, including but not limited to (a) the reduction of costs and increase in efficiencies; (b) the improvement in sales productivity and profitability; (c) management of the "operational bankruptcy task forces" established within the Company; and (iv) developing the Company's long-term business strategy.

6. Advice. Any opinions or advice (whether written or oral) rendered by Impala pursuant to this Agreement are intended solely for the benefit and use of the Company, and, except as may be required by law or court order and after prior notice thereof to Impala, may not be publicly disclosed in any manner or made available to third parties (other than the Company's management, directors, accountants and attorneys) without the prior written consent of Impala (which consent shall not be unreasonably withheld).

7. Communications with Creditors. Impala agrees that the work product it produces shall be shared with the Company's lenders, the creditors committee and their respective counsel and advisors (collectively, the "Interested Parties"), subject to appropriate confidentiality measures as it relates to members of the creditors committee that are competitors of the Company. In addition, as an officer of the Company, serving at the pleasure of the Special Committee, Impala shall communicate with the Interested Parties. Impala agrees to (a) maintain a log of all communications, both verbal and written, with the Interested Parties, (b) respond promptly to inquiries made by the Interested Parties and (c) promptly report to the Special Committee regarding all communications with the Interested Parties.

8. Confidentiality. All information provided by the Company to Impala will be considered as confidential information and shall be maintained as such by Impala, except to the extent that Impala shall be required to disclose such information pursuant to the laws, rules or regulations of any governmental authority, by compulsion of civil or criminal process or by any court of competent jurisdiction acting pursuant to its powers. It is understood and agreed that confidential information shall not include any information provided by the Company to Impala that: (a) is known to Impala prior to disclosure thereof by the Company, (b) hereafter becomes, other than through no fault of Impala, generally available to the public, (c) is disclosed to Impala by a third party other than in breach of an obligation of confidentiality owed by such third party to the Company, or (d) is independently developed by Impala.

9. Termination. The Company or Impala may, at any time, terminate the Term and this Agreement, without liability or continuing obligation, by providing thirty (30) days prior written notice thereof to the other party; provided, however, that except as otherwise provided in Section 2 as to the Success Fee, no termination of the Term and this Agreement pursuant to this Section 9 or expiration of the Term pursuant to Section 2 shall affect Impala's right to receive, and the Company's obligation to provide: (a) indemnification pursuant to Section 13 of this Agreement; or (b) the payments required by Sections 2(b) and 3 of this Agreement. To the extent the Agreement is terminated, Impala shall reimburse the Company for any payments received that are not yet earned.

10. Governing Law; Jurisdiction. THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO SUCH STATE'S RULES CONCERNING CONFLICTS OF LAWS. EACH OF THE COMPANY

AND IMPALA WAIVES ANY RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED UPON CONTRACT, TORT OR OTHERWISE) RELATED TO OR ARISING OUT OF THE ENGAGEMENT OF IMPALA PURSUANT TO, OR THE PERFORMANCE BY IMPALA OF THE SERVICES CONTEMPLATED BY, THIS AGREEMENT. THE BANKRUPTCY COURT SHALL HAVE EXCLUSIVE JURISDICTION TO ADJUDICATE ALL MATTERS PERTAINING TO THIS AGREEMENT.

11. Attorneys' Fees and Court Costs. If the Company brings an action directly or indirectly against Impala based on this Agreement or the matters contemplated hereby, and Impala prevails in such action, Impala shall be entitled to recover, in addition to any other appropriate amounts, its reasonable costs and expenses in connection with such action, including but not limited to, reasonable attorneys' fees and court costs.

12. Successors. The provisions hereof shall inure to the benefit of and be binding upon the successors and permitted assigns of the Company and Impala. Neither party hereto may assign or otherwise transfer any of its rights or obligations under this Agreement with the prior written consent of the other party hereto.

13. Indemnification. The Company agrees to indemnify and hold harmless Impala and each of its members, managers, officers, agents, employees and controlling persons (within the meaning of the Securities Act of 1933, as amended) (each, an "Indemnified Person") in accordance with the indemnification provisions attached hereto as Exhibit A.

14. Survival. The provisions of Sections 2(b), 3, 5, 6, 7, 8, 10, 11, 12 and 13 and this Section 14 shall survive the termination and expiration of the Term and this Agreement.

If the foregoing correctly sets forth the understanding between us, please so indicate on the enclosed signed copy of this Agreement in the space provided therefor and return it to us, whereupon this Agreement shall constitute a binding agreement between us. For the convenience of the parties, any number of counterparts of this Agreement may be executed by the parties hereto. Each such counterpart shall be, and shall be deemed to be, an original instrument, but all such counterparts taken together shall constitute one and the same Agreement.

Very truly yours,

IMPALA PARTNERS, LLC

By: Paul Street
Title: Member

Allegiance Telecom, Inc.
July 11, 2003
Page 6

AGREED TO AND ACCEPTED
as of the date first above written:

Allegiance Telecom, Inc.

By: Mark Tresnowski
Title: Executive Vice President and General Counsel

Exhibit A

1. To the extent consistent with the Company's obligations to indemnify its officers and directors, the Company agrees to indemnify and hold harmless Impala and each of its members, managers, officers, agents, employees and controlling persons (within the meaning of the Securities Act of 1933, as amended) (each, an "Indemnified Person") against any losses, claims, damages or liabilities (or actions or proceedings in respect thereof) brought by any third party (i.e., a person not a party to this Agreement or an Indemnified Party hereunder) arising out of or related to this Agreement, any actions taken or omitted to be taken by an Indemnified Party (including acts or omissions constituting ordinary negligence) in connection with this Agreement and will reimburse each Indemnified Person for all reasonable legal and other expenses as incurred in connection with investigating or defending any such loss, claim, damage, liability, action or proceeding; provided, however, that the Company will not be liable in any such case for losses, claims, damages, liabilities or expenses which are finally judicially determined to have resulted primarily from the gross negligence or willful misconduct of any Indemnified Party. In case any proceeding shall be instituted involving any Indemnified Party, such person shall promptly notify the Company, and the Company, upon the request of the Indemnified Party, shall retain counsel reasonably satisfactory to the Indemnified Party to represent the Indemnified Party and any others the Company may designate in such proceeding and shall pay all reasonable fees and expenses of such counsel related to such proceeding. In any such proceeding, any Indemnified Party shall have the right to retain its own counsel at its own expense, except that the Company shall pay as incurred the fees and expenses of counsel retained by the Indemnified Party only in the event that (i) the Company and the Indemnified Party shall have mutually agreed to the retention of such counsel, or (ii) the named parties to any such proceeding (including any impleaded parties) include both the Company and the Indemnified Party and representation of both parties by the same counsel would be inappropriate, in the reasonable opinion of the Company, due to actual or potential differing interests between them.

2. The Company will not, without the prior written consent of Impala, settle or compromise or consent to the entry of any judgment in any pending or threatened claim, action, suit or proceeding in respect of which indemnification may be sought hereunder unless such settlement, compromise or consent includes an unconditional release of each party for which indemnification is sought hereunder from all liability arising out of such claim, action, suit or proceeding.

3. In the event that the indemnity provided for in paragraph 1 hereof is unavailable or insufficient to hold any Indemnified Party harmless, then the Company shall contribute to amounts paid or payable by an Indemnified Party in respect of such Indemnified Party's losses, claims, damages and liabilities as to which the indemnity provided for in paragraph 1 hereof is unavailable or insufficient, except for acts of gross negligence or willful misconduct, (i) in such proportion as appropriately reflects the relative benefits received by the Company, on the one hand, and Impala, on the other hand, in connection with the matters as to which such losses, claims, damages or

liabilities relate, or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as appropriately reflects not only the relative benefits referred to in clause (i) but also the relative fault of the Company, on the one hand, and Impala, on the other hand, as well as any other equitable considerations. The amounts paid or payable by a party in respect of losses, claims, damages and liabilities referred to above shall be deemed to include any reasonable legal or other fees and expenses incurred in defending any litigation, proceeding or other action or claim.

KIRKLAND & ELLIS LLP
Citigroup Center
153 East 53rd Street
New York, New York 10022-4675
Telephone: (212) 446-4800
Facsimile: (212) 446-4900
Matthew A. Cantor (MC-7727)
Jonathan S. Henes (JH-1979)

Attorneys for Debtors and Debtors in Possession

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

	X	
In re	:	
	:	Chapter 11 Case No.
Allegiance Telecom, Inc., <u>et al.</u> ,	:	03-13057 (RDD)
	:	
Debtors.	:	Jointly Administered
	X	

**AFFIDAVIT OF PAUL A. STREET IN SUPPORT
OF DEBTORS' MOTION PURSUANT TO SECTIONS
105 AND 363 OF THE BANKRUPTCY CODE FOR APPROVAL
OF SERVICES AGREEMENT WITH IMPALA PARTNERS, LLC**

STATE OF TEXAS)
) SS.
COUNTY OF DALLAS)

Paul A. Street, being duly sworn, hereby deposes and says:

1. I am a member of Impala Partners LLC ("Impala"), a firm which maintains an office at 18 Marshall Street, Suite 112, Norwalk, Connecticut, and I make this Affidavit on behalf of Impala (the "Impala Affidavit"). I submit this Affidavit in support of the Debtors' motion pursuant to sections 105(a) and 363 of the Bankruptcy

¹ Unless otherwise defined herein, all capitalized terms herein shall have the meaning ascribed to them in the Motion.

Code, approving the services agreement (the "Agreement"), dated as of June 20, 2003, between the Debtors and Impala for certain chief restructuring officer services. Except as otherwise noted, I have personal knowledge of the matters set forth herein.

Qualifications

2. Impala, which was founded in 1997, is a financial advisory and interim management boutique. Impala specializes in working with companies and creditors in out-of-court workouts and chapter 11 cases. Impala has served as interim managers and financial advisors in financially complex bankruptcies and workouts involving billions of dollars in debt. In that regard, Impala has gained expertise in operating a business through distressed situations and analyzing businesses to determine strategies for both increasing revenue and reducing costs. Representative telecommunication clients include Winstar, Velocite, ICG Communications, Metromedia Fiber Network Services, Inc., and KMC Telecom, Inc.

Compensation

3. It is the intention of Impala to seek compensation for their services as described herein and in the Motion and Agreement in accordance with its customary practices and in accordance with the guidelines of this Court. [It is the customary practice of Impala to bill clients for travel time consistent with the guidelines of the jurisdiction.] Impala's compensation under the Agreement shall consist of the following:

- a. **Compensation for Services.** Impala will be compensated for the services it provides as follows:
 - the Debtors shall pay to Impala a fee of \$ 250,000 for each 30 days work (a "Monthly Fee Payment"), payable in advance. The first Payment shall be due by the Debtors and payable to Impala on the Effective Date and each Monthly Fee Payment shall be due and payable 30 days thereafter.

- As additional compensation for Impala's services under the Agreement, the Debtors agree to, subject to Bankruptcy Court approval, pay to Impala a mutually acceptable success fee (the "Success Fee"). The terms of the Success Fee shall be negotiated between and agreed upon by the Debtors and Impala during the first forty-five days following the Effective Date. If the Debtors and Impala are unable to agree upon the Success Fee within forty-five days of the Effective Date, either party shall have the right to terminate the Agreement, in which case the Debtors shall have no obligation with regard to the Success Fee. After the Debtors and Impala agree on the Success Fee, but prior to filing an application with the Bankruptcy Court to approve the Success Fee, the Debtors and Impala shall consult with the Prepetition Lenders, the Creditors Committee and the U.S. Trustee regarding the Success Fee and the justification for the Success Fee. To the extent the Prepetition Lenders, the Creditors Committee and/or the U.S. Trustee have any issues or concerns with respect to the Success Fee, the Debtors and Impala shall, for a period of ten days, attempt to resolve with the Prepetition Lenders, the creditors committee and/or the U.S. Trustee, in good faith, such issues and/or concerns. If the Debtors and Impala are not able to resolve such issues and/or concerns with the Prepetition Lenders, the Creditors Committee and/or the U.S. Trustee within such ten day period, Impala may file an application with the Bankruptcy Court to approve the Success Fee pursuant to section 328(a) of the Bankruptcy Code on no less than twenty-days notice. Notwithstanding the foregoing, the Success Fee shall be payable in accordance with the requirement of section 330 of the Bankruptcy Code.

- b. **Expense Reimbursement.** In addition to the Monthly Fee Payments and the Success Fee, the Debtors have agreed to reimburse Impala for all reasonable out-of-pocket expenses incurred by Impala in carrying out the terms of the Agreement, including communication charges, travel expenses, copying expenses, delivery and distribution charges, and reasonable fees and expenses of legal counsel that Impala determines is required to advise Impala in connection with carrying out its duties under the Agreement; provided, however, that a request for any such fees and expenses must be filed with the Bankruptcy Court in accordance with the "order establishing procedures for the compensation of professionals" entered in these chapter 11 cases. All reimbursements shall be made promptly after such payments accrue and are submitted to the Debtors with appropriate documentation for payment hereunder.

Disinterestedness of Impala

4. I acknowledge and respectfully represent that the elements of section 327 of the Bankruptcy Code and Bankruptcy Rule 2014 are not necessary or relevant in connection with Impala's employment, which is being made under section 363 of the Bankruptcy Code. Nevertheless, I desire to make the following assertions: to the best of my knowledge and belief, insofar as I have been able to ascertain after due inquiry, no managing director or employee of Impala is related to the Debtors, their creditors, other parties in interest herein, or the U.S. Trustee or anyone employed in the Office of the U.S. Trustee, or holds or represents any interest adverse to any such party, except that Impala is connected with the Debtors by virtue of the Agreement, and Impala may represent or have represented certain of the Debtors' creditors or other parties in interest, or interests adverse to such creditors or other parties in interest, in matters unrelated to the Debtors' chapter 11 cases.

5. In connection with the preparation of this Affidavit, Impala conducted a review of its professional connections with the Debtors, their affiliates and other interested parties identified on a list (the "Interested Party List"), annexed hereto as Exhibit "A", which was provided to Impala by the Debtors. Impala ran the Interested Party List through its conflict database, which is an internal computer database containing the names of the individuals and entities that are present or former clients of Impala. Impala then reviewed those results, a summary of which relationships is set forth herein. Except as otherwise disclosed herein, none of the services, that were or will be provided in the course of these other engagements: (i) is connected in any way to these chapter 11 cases; (ii) will impact or conflict with the rights of the Debtors in these chapter 11 cases; or (iii) will compromise Impala's ability to continue providing services in these

chapter 11 cases. Impala will continue to supplement this Affidavit as necessary to disclose new relationships.

6. As part of its diverse practice, Impala appears in numerous cases, proceedings and transactions involving many different professionals, including Kirkland & Ellis LLP and other attorneys, accountants and financial consultants, some of which may represent claimants and parties-in-interest in the Debtors' chapter 11 cases. Further, Impala has in the past, and may in the future, be represented by several attorneys and law firms, some of whom may be involved in these chapter 11 cases. In addition, Impala has in the past and will likely in the future be working with or against other professionals involved in these chapter 11 cases in matters unrelated to these chapter 11 cases. Based on our current knowledge of the professionals involved, and to the best of my knowledge, none of these business relations constitute interests materially adverse to the Debtors.

7. Impala has in the past represented, currently represents and may in the future represent, creditors or equity security holders of the Debtors in matters unrelated to these cases including, but not limited to:

a. ICG Communications:

In the months of January 2002 through March 2002, Impala served as advisor to the bank steering committee in the chapter 11 cases of ICG Communications. Since that time, Impala and its members have had no relationship with ICG Communications. In May of 2003, an Impala senior manager attended a single meeting with ICG Communications, together with another client who had an interest in discussing various issues of mutual interest.

b. GE Capital / GE Capital Fleet Services / GE Capital Services, et. al.:

Paul Street was an officer of GE Capital from 1990-1994. Peter Keenoy was an employee of GE Capital from 1984 to 1999. At the time he left GE Capital, Mr. Keenoy was an officer of the company.

Impala has performed advisory services for GE Capital, but does not have current advisory relationship with GE Capital. Impala and its members had and continue to have advisory relationships with certain companies, at which GE Capital is a creditor. Impala also has represented clients in mergers and acquisitions in which GE Capital was the acquirer or in which GE Capital was a major shareholder. Two other members of Impala, Michael Borom and Murry Stegelman, were former employees, and/or officers of GE Capital. Neither of them were involved in any matters that were related to these chapter 11 cases.

c. Metromedia Fiber Network Services, Inc. ("MFN"):

In May 2002 and June 2002, Impala provided advisory services to MFN. Impala and its members have no current relationship with MFN.

d. KMC Telecom Inc. ("KMC"):

Impala currently has an advisory relationship with KMC. While KMC is not currently a creditor of the Debtors, it is a vendor. To avoid any conflict, the Debtors have agreed that Impala and its members will recuse themselves from any decisions that could impact KMC; however Impala will assist in preparing the analysis of options relating to KMC. Impala's work with KMC is confined to balance sheet restructuring and network grooming and did not involve or impact the Debtors in any way.

e. Various Financial Institutions:

Impala and its members have previously advised clients that have creditors involved in these chapter 11 cases. Impala and its members are currently advising clients that have the following creditors: ABN, Amro Bank, Bank of America, BNP Paribas, CIT, CSFB, Dresdner Bank, Fleet, GE Capital, Toronto Dominion.

f. FTI:

Two senior managers of Impala were formerly employees of FTI and its predecessor in interest, PricewaterhouseCoopers. Their work at FTI and PricewaterhouseCoopers was unrelated to these chapter 11 cases.

8. The foregoing disclosures of Impala's representation of creditors and equity security holders in matters unrelated to these chapter 11 cases will not affect Impala's representation of the Debtors in these chapter 11 cases.

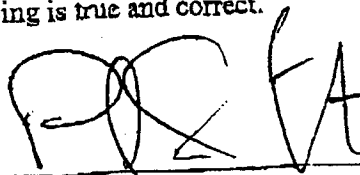
9. General Electric Capital Corporation ("GECC") was my employer between 1990 and 1994. While my employment at GECC was unrelated to these chapter 11 cases, I make this disclosure out of an abundance of caution.

10. Impala is also a consultant to the U.S. Trustee in the chapter 7 case of Winstar Communications, Inc. This representation is unrelated to these chapter 11 cases.

11. To the best of my knowledge, Impala has not been retained to assist any entity or person other than the Debtors on matters relating to, or in connection with, these chapter 11 cases. If this Court approves the proposed employment of Impala by the Debtors, Impala will not accept any engagement or perform any service in these chapter 11 cases for any entity or person other than the Debtors. Impala will, however, continue to provide professional services to entities or persons that may be creditors of the Debtors or parties in interest in these chapter 11 cases; provided, however, that such services do not relate to, or have any direct connection with, these chapter 11 cases.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on July 11, 2003.



Paul A. Street
Member

Sworn to before me this 11th day of July 2003.



Notary Public

My Commission Expires: _____

NATHANAEL F. MEYERS
Notary Public, State of New York
No. 01ME5057476
Qualified in New York County
Commission Expires March 25, ~~2005~~
2006

Exhibit A - Companies Checked For Conflicts

Debtors

Allegiance Telecom, Inc.
Adgrafix Corporation
ALGX Business Internet, Inc.
Allegiance Internet, Inc.
Allegiance Telecom Company Worldwide
Allegiance Telecom International, Inc.
Allegiance Telecom of Arizona, Inc.
Allegiance Telecom of California, Inc.
Allegiance Telecom of Colorado, Inc.
Allegiance Telecom of Florida, Inc.
Allegiance Telecom of Georgia, Inc.
Allegiance Telecom of Illinois, Inc.
Allegiance Telecom of Indiana, Inc.
Allegiance Telecom of Maryland, Inc.
Allegiance Telecom of Massachusetts, Inc.
Allegiance Telecom of Michigan, Inc.
Allegiance Telecom of Minnesota, Inc.
Allegiance Telecom of Missouri, Inc.
Allegiance Telecom of Nevada, Inc.
Allegiance Telecom of New Jersey, Inc.
Allegiance Telecom of New York, Inc.
Allegiance Telecom of North Carolina, Inc.
Allegiance Telecom of Ohio, Inc.
Allegiance Telecom of Oklahoma, Inc.
Allegiance Telecom of Oregon, Inc.
Allegiance Telecom of Pennsylvania, Inc.
Allegiance Telecom of Texas, Inc.
Allegiance Telecom of The District of Columbia, Inc.
Allegiance Telecom of Virginia, Inc.
Allegiance Telecom of Washington, Inc.
Allegiance Telecom of Wisconsin, Inc.
Allegiance Telecom Purchasing Company
Allegiance Telecom Service Corporation
Coast to Coast Telecommunications, Inc.
Hosting.com, Inc.
InterAccess Telecommunications Co.
Jump.Net, Inc.
Shared Technologies Allegiance, Inc.
Virtualis Systems, Inc.

Current Officers Allegiance Telecom, Inc.

Royce J. Holland
C. Daniel Yost
Thomas M. Lord
Anthony J. Parella
Mark B. Tresnowski
Deborah Surrette
G. Clay Myers
J. Timothy Naramore
Kevin Joseph
Lawrence E. Strickling
Richard H. Anderson
Christine Kornegay

Kenneth C. Close
Sanjeev Sethi
Annie S. Terry

Current Directors of Allegiance Telecom, Inc.

Royce J. Holland
C. Daniel Yost
Thomas M. Lord
Anthony J. Parella
James E. Crawford, III
Paul J. Finnegan
Jacob J. Goldberg
Reed E. Hundt
Andrew D. Lipman
James N. Perry, Jr.

**Current Officers Allegiance Telecom
Company Worldwide**

Royce J. Holland
C. Daniel Yost
Thomas M. Lord
Anthony J. Parella
Mark B. Tresnowski
Deborah Surrette
G. Clay Myers
J. Timothy Naramore
Kevin Joseph
Lawrence E. Strickling
Mark A. Stachiw
Richard H. Anderson
Christine Kornegay
Kenneth C. Close
Annie S. Terry

**Current Directors of Allegiance
Telecom Company Worldwide**

Mark B. Tresnowski
Annie S. Terry
G. Clay Myers

**Current Officers Allegiance Telecom
International, Inc.**

Royce J. Holland
C. Daniel Yost
Thomas M. Lord
Anthony J. Parella
Mark B. Tresnowski
Deborah Surrette
G. Clay Myers
J. Timothy Naramore
Kevin Joseph
Lawrence E. Strickling

Mark A. Stachiw
Richard H. Anderson
Christine Kornegay
Kenneth C. Close
Annie S. Terry

**Current Directors of Allegiance
Telecom International, Inc.**

Mark B. Tresnowski
Annie S. Terry
G. Clay Myers

**Current Officers Allegiance
Service Corporation**

Royce J. Holland
C. Daniel Yost
Thomas M. Lord
Anthony J. Parella
Mark B. Tresnowski
Deborah Surrence
G. Clay Myers
J. Timothy Naramore
Kevin Joseph
Lawrence E. Strickling
Mark A. Stachiw
Richard H. Anderson
Christine Kornegay
Kenneth C. Close
Annie S. Terry

**Current Directors of Allegiance
Service Corporation**

Mark B. Tresnowski
Annie S. Terry
G. Clay Myers

**Current Officers of Allegiance Telecom
Purchasing Company**

Royce J. Holland
C. Daniel Yost
Thomas M. Lord
Anthony J. Parella
Mark B. Tresnowski
Deborah Surrence
G. Clay Myers
J. Timothy Naramore
Kevin Joseph
Lawrence E. Strickling
Mark A. Stachiw
Richard H. Anderson
Christine Kornegay

Kenneth C. Close
Annie S. Terry

**Current Directors of Allegiance Telecom
Purchasing Company**

Mark B. Tresnowski
Annie S. Terry
G. Clay Myers

**Current Officers of Allegiance
Telecom Of Arizona, Inc.**

Royce J. Holland
C. Daniel Yost
Thomas M. Lord
Anthony J. Parella
Mark B. Tresnowski
Deborah Surrence
G. Clay Myers
J. Timothy Naramore
Kevin Joseph
Lawrence E. Strickling
Mark A. Stachiw
Richard H. Anderson
Christine Kornegay
Kenneth C. Close
Annie S. Terry

**Current Directors of Allegiance
Telecom Of Arizona, Inc.**

Mark B. Tresnowski
Annie S. Terry
G. Clay Myers

**Current Officers of Allegiance
Telecom of California, Inc.**

Royce J. Holland
C. Daniel Yost
Thomas M. Lord
Anthony J. Parella
Mark B. Tresnowski
Deborah Surrence
G. Clay Myers
J. Timothy Naramore
Kevin Joseph
Lawrence E. Strickling
Mark A. Stachiw
Richard H. Anderson
Christine Kornegay
Kenneth C. Close
Annie S. Terry

**Current Directors of Allegiance
Telecom of California, Inc.**

Mark B. Tresnowski
Annie S. Terry
G. Clay Myers

**Current Officers of Allegiance
Telecom of Colorado, Inc.**

Royce J. Holland
C. Daniel Yost
Thomas M. Lord
Anthony J. Parella
Mark B. Tresnowski
Deborah Surette
G. Clay Myers
J. Timothy Naramore
Kevin Joseph
Lawrence E. Strickling
Mark A. Stachiw
Richard H. Anderson
Christine Kornegay
Kenneth C. Close
Annie S. Terry

**Current Directors of Allegiance
Telecom of Colorado, Inc.**

Mark B. Tresnowski
Annie S. Terry
G. Clay Myers

**Current Officers of Allegiance Telecom
Of the District of Columbia, Inc.**

Royce J. Holland
C. Daniel Yost
Thomas M. Lord
Anthony J. Parella
Mark B. Tresnowski
Deborah Surette
G. Clay Myers
J. Timothy Naramore
Kevin Joseph
Lawrence E. Strickling
Mark A. Stachiw
Richard H. Anderson
Christine Kornegay
Kenneth C. Close
Annie S. Terry

**Current Directors of Allegiance Telecom
Of the District of Columbia, Inc.**

Mark B. Tresnowski
Annie S. Terry
G. Clay Myers

**Current Officers of Allegiance
Telecom of Florida, Inc.**

Royce J. Holland
C. Daniel Yost
Thomas M. Lord
Anthony J. Parella
Mark B. Tresnowski
Deborah Surette
G. Clay Myers
J. Timothy Naramore
Kevin Joseph
Lawrence E. Strickling
Mark A. Stachiw
Richard H. Anderson
Christine Kornegay
Kenneth C. Close
Annie S. Terry

**Current Directors of Allegiance
Telecom of Florida, Inc.**

Mark B. Tresnowski
Annie S. Terry
G. Clay Myers

**Current Officers of Allegiance
Telecom of Georgia, Inc.**

Royce J. Holland
C. Daniel Yost
Thomas M. Lord
Anthony J. Parella
Mark B. Tresnowski
Deborah Surette
G. Clay Myers
J. Timothy Naramore
Kevin Joseph
Lawrence E. Strickling
Mark A. Stachiw
Richard H. Anderson
Christine Kornegay
Kenneth C. Close
Annie S. Terry

**Current Directors of Allegiance
Telecom of Georgia, Inc.**

Mark B. Tresnowski
Annie S. Terry
G. Clay Myers

**Current Officers of Allegiance
Telecom of Illinois, Inc.**

Royce J. Holland
C. Daniel Yost
Thomas M. Lord
Anthony J. Parella
Mark B. Tresnowski
Deborah Surrette
G. Clay Myers
J. Timothy Naramore
Kevin Joseph
Lawrence E. Strickling
Mark A. Stachiw
Richard H. Anderson
Christine Komegay
Kenneth C. Close
Annie S. Terry

**Current Directors of Allegiance
Telecom of Illinois, Inc.**

Mark B. Tresnowski
Annie S. Terry
G. Clay Myers

**Current Officers of Allegiance
Telecom of Indiana, Inc.**

Royce J. Holland
C. Daniel Yost
Thomas M. Lord
Anthony J. Parella
Mark B. Tresnowski
Deborah Surrette
G. Clay Myers
J. Timothy Naramore
Kevin Joseph
Lawrence E. Strickling
Mark A. Stachiw
Richard H. Anderson
Christine Komegay
Kenneth C. Close
Annie S. Terry

**Current Directors of Allegiance
Telecom of Indiana, Inc.**

Mark B. Tresnowski
Annie S. Terry
G. Clay Myers

**Current Officers of Allegiance Telecom of
Maryland, Inc.**

Royce J. Holland
C. Daniel Yost
Thomas M. Lord
Anthony J. Parella
Mark B. Tresnowski
Deborah Surrette
G. Clay Myers
J. Timothy Naramore
Kevin Joseph
Lawrence E. Strickling
Mark A. Stachiw
Richard H. Anderson
Christine Komegay
Kenneth C. Close
Annie S. Terry

**Current Officers of Allegiance
Telecom of Maryland, Inc.**

Mark B. Tresnowski
Annie S. Terry
G. Clay Myers

**Current Officers of Allegiance Telecom
Of Massachusetts, Inc.**

Royce J. Holland
C. Daniel Yost
Thomas M. Lord
Anthony J. Parella
Mark B. Tresnowski
Deborah Surrette
G. Clay Myers
J. Timothy Naramore
Kevin Joseph
Lawrence E. Strickling
Mark A. Stachiw
Richard H. Anderson
Christine Komegay
Kenneth C. Close
Annie S. Terry

**Current Directors of Allegiance Telecom
Of Massachusetts, Inc.**

Mark B. Tresnowski
Annie S. Terry
G. Clay Myers

**Current Officers of Allegiance
Telecom of Michigan, Inc.**

Royce J. Holland
C. Daniel Yost
Thomas M. Lord
Anthony J. Parella
Mark B. Tresnowski
Deborah Surette
G. Clay Myers
J. Timothy Naramore
Kevin Joseph
Lawrence E. Strickling
Mark A. Stachiw
Richard H. Anderson
Christine Kornegay
Kenneth C. Close
Annie S. Terry

**Current Directors of Allegiance
Telecom of Michigan, Inc.**

Mark B. Tresnowski
Annie S. Terry
G. Clay Myers

**Current Officers of Allegiance
Telecom of Minnesota, Inc.**

Royce J. Holland
C. Daniel Yost
Thomas M. Lord
Anthony J. Parella
Mark B. Tresnowski
Deborah Surette
G. Clay Myers
J. Timothy Naramore
Kevin Joseph
Lawrence E. Strickling
Mark A. Stachiw
Richard H. Anderson
Christine Kornegay
Kenneth C. Close
Annie S. Terry

**Current Directors of Allegiance
Telecom of Minnesota, Inc.**

Mark B. Tresnowski
Annie S. Terry
G. Clay Myers

**Current Officers of Allegiance Telecom
Of Missouri, Inc.**

Royce J. Holland
C. Daniel Yost
Thomas M. Lord
Anthony J. Parella
Mark B. Tresnowski
Deborah Surette
G. Clay Myers
J. Timothy Naramore
Kevin Joseph
Lawrence E. Strickling
Mark A. Stachiw
Richard H. Anderson
Christine Kornegay
Kenneth C. Close
Annie S. Terry

**Current Officers of Allegiance Telecom
Of Missouri, Inc.**

Mark B. Tresnowski
Annie S. Terry
G. Clay Myers

**Current Officers of Allegiance
Telecom Of Nevada, Inc.**

Royce J. Holland
C. Daniel Yost
Thomas M. Lord
Anthony J. Parella
Mark B. Tresnowski
Deborah Surette
G. Clay Myers
J. Timothy Naramore
Kevin Joseph
Lawrence E. Strickling
Mark A. Stachiw
Richard H. Anderson
Christine Kornegay
Kenneth C. Close
Annie S. Terry

**Current Directors of Allegiance
Telecom Of Nevada, Inc.**

Mark B. Tresnowski
Annie S. Terry
G. Clay Myers

**Current Officers of Allegiance
Telecom of New Jersey**

Royce J. Holland
C. Daniel Yost
Thomas M. Lord
Anthony J. Parella
Mark B. Tresnowski
Deborah Surrette
G. Clay Myers
J. Timothy Naramore
Kevin Joseph
Lawrence E. Strickling
Mark A. Stachiw
Richard H. Anderson
Christine Kornegay
Kenneth C. Close
Annie S. Terry

**Current Directors of Allegiance
Telecom of New Jersey**

Mark B. Tresnowski
Annie S. Terry
G. Clay Myers

**Current Officers of Allegiance
Telecom of New York, Inc.**

Royce J. Holland
C. Daniel Yost
Thomas M. Lord
Anthony J. Parella
Mark B. Tresnowski
Deborah Surrette
G. Clay Myers
J. Timothy Naramore
Kevin Joseph
Lawrence E. Strickling
Mark A. Stachiw
Richard H. Anderson
Christine Kornegay
Kenneth C. Close
Annie S. Terry

**Current Directors of Allegiance
Telecom of New York, Inc.**

Mark B. Tresnowski
Annie S. Terry
G. Clay Myers

**Current Officers of Allegiance
Telecom of North Carolina, Inc.**

Royce J. Holland
C. Daniel Yost
Thomas M. Lord
Anthony J. Parella
Mark B. Tresnowski
Deborah Surrette
G. Clay Myers
J. Timothy Naramore
Kevin Joseph
Lawrence E. Strickling
Mark A. Stachiw
Richard H. Anderson
Christine Kornegay
Kenneth C. Close
Annie S. Terry

**Current Directors of Allegiance
Telecom of North Carolina, Inc.**

Mark B. Tresnowski
Annie S. Terry
G. Clay Myers

**Current Officers Of Allegiance
Telecom of Ohio, Inc.**

Royce J. Holland
C. Daniel Yost
Thomas M. Lord
Anthony J. Parella
Mark B. Tresnowski
Deborah Surrette
G. Clay Myers
J. Timothy Naramore
Kevin Joseph
Lawrence E. Strickling
Mark A. Stachiw
Richard H. Anderson
Christine Kornegay
Kenneth C. Close
Annie S. Terry

**Current Directors Of Allegiance
Telecom of Ohio, Inc.**

Mark B. Tresnowski
Annie S. Terry
G. Clay Myers

**Current Officers of Allegiance
Telecom of Oklahoma, Inc.**

Royce J. Holland
C. Daniel Yost
Thomas M. Lord
Anthony J. Parella
Mark B. Tresnowski
Deborah Surrence
G. Clay Myers
J. Timothy Naramore
Kevin Joseph
Lawrence E. Strickling
Mark A. Stachiw
Richard H. Anderson
Christine Kornegay
Kenneth C. Close
Annie S. Terry

**Current Directors of Allegiance
Telecom of Oklahoma, Inc.**

Mark B. Tresnowski
Annie S. Terry
G. Clay Myers

**Current Officers of Allegiance
Telecom of Oregon, Inc.**

Royce J. Holland
C. Daniel Yost
Thomas M. Lord
Anthony J. Parella
Mark B. Tresnowski
Deborah Surrence
G. Clay Myers
J. Timothy Naramore
Kevin Joseph
Lawrence E. Strickling
Mark A. Stachiw
Richard H. Anderson
Christine Kornegay
Kenneth C. Close
Annie S. Terry

**Current Directors of Allegiance
Telecom of Oregon, Inc.**

Mark B. Tresnowski
Annie S. Terry
G. Clay Myers

**Current Officers of Allegiance
Telecom of Pennsylvania, Inc.**

Royce J. Holland
C. Daniel Yost
Thomas M. Lord
Anthony J. Parella
Mark B. Tresnowski
Deborah Surrence
G. Clay Myers
J. Timothy Naramore
Kevin Joseph
Lawrence E. Strickling
Mark A. Stachiw
Richard H. Anderson
Christine Kornegay
Kenneth C. Close
Annie S. Terry

**Current Directors of Allegiance
Telecom of Pennsylvania, Inc.**

Mark B. Tresnowski
Annie S. Terry
G. Clay Myers

**Current Officers of Allegiance
Telecom of Texas, Inc.**

Royce J. Holland
C. Daniel Yost
Thomas M. Lord
Anthony J. Parella
Mark B. Tresnowski
Deborah Surrence
G. Clay Myers
J. Timothy Naramore
Kevin Joseph
Lawrence E. Strickling
Mark A. Stachiw
Richard H. Anderson
Christine Kornegay
Kenneth C. Close
Annie S. Terry

**Current Directors of Allegiance
Telecom of Texas, Inc.**

Mark B. Tresnowski
Annie S. Terry
G. Clay Myers

**Current Officers of Allegiance
Telecom of Virginia, Inc.**

Royce J. Holland
C. Daniel Yost
Thomas M. Lord
Anthony J. Parella
Mark B. Tresnowski
Deborah Surrence
G. Clay Myers
J. Timothy Naramore
Kevin Joseph
Lawrence E. Strickling
Mark A. Stachiw
Richard H. Anderson
Christine Kornegay
Kenneth C. Close
Annie S. Terry

**Current Directors of Allegiance
Telecom of Virginia, Inc.**

Mark B. Tresnowski
Annie S. Terry
G. Clay Myers

**Current Officers of Allegiance
Telecom of Washington, Inc.**

Royce J. Holland
C. Daniel Yost
Thomas M. Lord
Anthony J. Parella
Mark B. Tresnowski
Deborah Surrence
G. Clay Myers
J. Timothy Naramore
Kevin Joseph
Lawrence E. Strickling
Mark A. Stachiw
Richard H. Anderson
Christine Kornegay
Kenneth C. Close
Annie S. Terry

**Current Officers of Allegiance
Telecom of Washington, Inc.**

Mark B. Tresnowski
Annie S. Terry
G. Clay Myers

**Current Officers of Allegiance
Telecom of Wisconsin, Inc.**

Royce J. Holland
C. Daniel Yost
Thomas M. Lord
Anthony J. Parella
Mark B. Tresnowski
Deborah Surrence
G. Clay Myers
J. Timothy Naramore
Kevin Joseph
Lawrence E. Strickling
Mark A. Stachiw
Richard H. Anderson
Christine Kornegay
Kenneth C. Close
Annie S. Terry

**Current Directors of Allegiance
Telecom of Wisconsin, Inc.**

Mark B. Tresnowski
Annie S. Terry
G. Clay Myers

Current Officers of Allegiance Internet, Inc.

Royce J. Holland
C. Daniel Yost
Thomas M. Lord
Anthony J. Parella
Mark B. Tresnowski
Deborah Surrence
G. Clay Myers
J. Timothy Naramore
Kevin Joseph
Lawrence E. Strickling
Mark A. Stachiw
Richard H. Anderson
Christine Kornegay
Kenneth C. Close
Annie S. Terry
Mitchell Romm
Melanie Haratunian

Current Officers of Allegiance Internet, Inc.

Mark B. Tresnowski
Annie S. Terry
G. Clay Myers

**Current Officers of InterAccess
Telecommunications Co.**

Royce J. Holland
C. Daniel Yost
Thomas M. Lord
Anthony J. Parella
Mark B. Tresnowski
Deborah Surette
G. Clay Myers
J. Timothy Naramore
Kevin Joseph
Lawrence E. Strickling
Mark A. Stachiw
Richard H. Anderson
Christine Kornegay
Kenneth C. Close
Annie S. Terry
Kieran Athy

**Current Directors of InterAccess
Telecommunications Co.**

Mark B. Tresnowski
Annie S. Terry
G. Clay Myers

Current Officers of Virtualis Systems, Inc.

Royce J. Holland
C. Daniel Yost
Thomas M. Lord
Anthony J. Parella
Mark B. Tresnowski
Deborah Surette
G. Clay Myers
J. Timothy Naramore
Kevin Joseph
Lawrence E. Strickling
Mark A. Stachiw
Richard H. Anderson
Christine Kornegay
Kenneth C. Close
Annie S. Terry

Current Directors of Virtualis Systems, Inc.

Mark B. Tresnowski
Annie S. Terry
G. Clay Myers

Current Officers of Jump.Net, Inc.

Royce J. Holland
C. Daniel Yost
Thomas M. Lord
Anthony J. Parella
Mark B. Tresnowski
Deborah Surette
G. Clay Myers
J. Timothy Naramore
Kevin Joseph
Lawrence E. Strickling
Mark A. Stachiw
Richard H. Anderson
Christine Kornegay
Kenneth C. Close
Annie S. Terry

Current Officers of Jump.Net, Inc.

Mark B. Tresnowski
Annie S. Terry
G. Clay Myers

Current Officers of Adgrafx, Inc.

Royce J. Holland
C. Daniel Yost
Thomas M. Lord
Anthony J. Parella
Mark B. Tresnowski
Deborah Surette
G. Clay Myers
J. Timothy Naramore
Kevin Joseph
Lawrence E. Strickling
Mark A. Stachiw
Richard H. Anderson
Christine Kornegay
Kenneth C. Close
Annie S. Terry

Current Officers of Adgrafx, Inc.

Mark B. Tresnowski
Annie S. Terry
G. Clay Myers

Current Officers of Hosting.com, Inc.

Royce J. Holland
C. Daniel Yost
Thomas M. Lord
Anthony J. Parella
Mark B. Tresnowski
Deborah Surette
G. Clay Myers
J. Timothy Naramore
Kevin Joseph
Lawrence E. Strickling
Mark A. Stachiw
Richard H. Anderson
Christine Kornegay
Kenneth C. Close

Current Director of Hosting.com, Inc.

Mark B. Tresnowski

**Current Officers of
Coast To Coast Telecommunications, Inc.**

Royce J. Holland
C. Daniel Yost
Thomas M. Lord
Anthony J. Parella
Mark B. Tresnowski
Deborah Surette
G. Clay Myers
J. Timothy Naramore
Kevin Joseph
Lawrence E. Strickling
Mark A. Stachiw
Richard H. Anderson
Christine Kornegay
Kenneth C. Close
Annie S. Terry

**Current Directors of
Coast To Coast Telecommunications, Inc.**

Mark B. Tresnowski
Annie S. Terry
G. Clay Myers

**Current Officers of
ALGX Business Internet, Inc.**

Royce J. Holland
C. Daniel Yost
Thomas M. Lord
Anthony J. Parella
Mark B. Tresnowski

Deborah Surette
G. Clay Myers
J. Timothy Naramore
Kevin Joseph
Lawrence E. Strickling
Mark A. Stachiw
Richard H. Anderson
Christine Kornegay
Kenneth C. Close
Annie S. Terry

**Current Directors of
ALGX Business Internet, Inc.**

Mark B. Tresnowski
Annie S. Terry
G. Clay Myers

**Current Officers of
Shared Technologies Allegiance, Inc.**

Royce J. Holland
C. Daniel Yost
Thomas M. Lord
Anthony J. Parella
Mark B. Tresnowski
Deborah Surette
G. Clay Myers
J. Timothy Naramore
Kevin Joseph
Lawrence E. Strickling
Mark A. Stachiw
Richard H. Anderson
Christine Kornegay
Kenneth C. Close
Annie S. Terry
John F. Wassenbergh

**Current Directors of
Shared Technologies Allegiance, Inc.**

Mark B. Tresnowski
Annie S. Terry
G. Clay Myers

Former Officers

Melody A. Blanks Avers
Joseph Bartlett
Peter Ciaraldi
Dana Crowne
John Debus
Jeffrey S. Feinberg
Bill M. Francis
John Ted Gilmore
Thomas Ed Hays

Robert E. Hlavacek
James C. Hoffman
Stephen N. Holland
Steve Hwang
Alan D. Hyde
Tae Kim
Patricia E. Koide
Walter B. Kulikowski
Christopher Malinowski
Robert W. McCausland
Christopher J. Melnick
Richard V. Myers
Ted H. Nichols
Morton Posner
Anthony Scott Savoie
Neil Searls
Eugene A. Shimshock
Jerrold L. Sklar
Vincent J. Tozzi
Mark Washburn
Robert E. Williams
William J. Wilson Sr.

Former Directors

John Ehrenkranz
Richard Frisbe
Alan Goldberg
Howard Hoffen
Dino Vendetti

Parties To Litigation

Ace Cash Express
Africfarm Market Ltd.
Air Around The Clock
Anne Marie's Catering
Apple Dentists
Ashley Layne Design
Brelan, Inc. dba TGF Haircutters
Brown, Stanley E.
CampusLink
Cappuccio
Carribean Resorts
D.N.K. Management, Inc.
Dietrich & Associates
Dpi Teleconnect, Inc.
G&R Check Cashing Corp.
Girdler, Deborah
Goldman Sachs I and II
ICG Communications
InteCap
J.L.M., Inc.
Kane, Linda
Kosher Konnection
Kramer, Pamela

Law Offices of Lin & Associates
Legal Services Associates
Life Sciences Corp.
Maid in the USA t/a Maid To Perfection
Maynard, Alison dba Law Offices of Alison Maynard
Mirage Tile & Marble Co., Inc.
Navarro Property
Network Dynamics Cabling
Notre Dame Law Associates
One Stop Realtour Place
Payne, Robert B. and Barbara L.
Poe, Jason
Polyspede Electronics
Robin Millen Collections
Scheideler & Associates
Shayan Enterprises, LLC
Signature Consultants
State Farm Insurance Company
The Tub Factory
Totally Wireless Choice
Trinity National Corporation
Tweel Home
Uptown Transit Corporation
Walker, Brian
Zone International, Inc.

Top 40 Unsecured Creditors

Pacific Bell
Southwestern Bell
Verizon
Ameritech
Broadwing Communication Services Inc.
Qwest
Alcatel, Inc.
NCX Office Developer LP
Nortel Networks Inc.
AT&T
WorldCom Inc.
Southern California Edison
XO Communications
System Services
Edocs Inc.
Adtran Inc.
Extreme Networks
Level 3 Communications LLC
NEC America, Inc.
Sunbelt Telecommunications
Assured Industries
Sprint
EMC Corporation
JP Morgan Chase
Lucent Technologies
DSET Corporation
The Point Group
Advance Telecom Res.

Walker & Associates Inc.
Power Conversion Products
MCI Worldcom Communications
Hewlett-Packard

Creditors Under Capital Lease Agreements

Broadwing Communications Services, Inc.
CC II Realty, Inc.
CitiCapital (Fidelity Leasing)
Clarity Credit Corporation
Communication Systems Development, Inc.
Dell Financial Services
Deutsche Bank
Fiber Technologies Networks, L.L.C.
Fidelity Leasing
GE Capital Fleet Services
Grande Communications Networks, Inc.
Level 3 Communications, LLC
LINC Receivables
Looking Glass Networks, Inc.
Metromedia Fiber Network Service, Inc.
RCN Telecom Services, Inc.
Sony Financial Services
Sprint Communications Company
United Capital

The Bank Group

GE Capital Services
ABN Amro Bank
Absolute Rec Hedge LP
Absolute Rec Hedge LTD
Bank Austria
Bank of America
Bank of Nova Scotia
Bayerische Hypo
BNP Paribas
CIT Lending Services Cor
Cobank
Credit Suisse First Boston
Dresdner Bank
Fleet
Fortis Bank
Goldman Sachs
Gryphon Master Fund, LP
IBM Credit Corporation
ING Capital Corp.
Langley Partners, LP
Morgan Stanley Senior Funding
Pauraque Partners
R2 Investments,
R2 Top Hat, LTD
Toronto Dominion
UBS AG
Union Bank of California

Indenture Trustee

The Bank Of New York

Beneficiaries of Performance Bonds

Beebe Medical Center
Central Washington University
City of Billings Montana
City of Seattle
Fallon Clinic, Inc.
Frederick Community College
Holtz Hotel
Lehigh County Gov. Center
Pacific Bell
Portland Community College
Rhode Island College
Southern Illinois University
Southwest Preparatory

Bondholders of 12 7/8% Senior Notes

Acuity Mutual Insurance Company
Allianz of America, Inc.
American Express Financial Corp.
Atlantic Security Bank
Blackrock Financial Management, Inc.
Canyon Capital
Cardinal Investments
Chase Manhattan Bank
Chubb Asset Managers, Inc.
Clarion
Everett Investment Co. L.P.
EWR Investments
First National Bank of Wahoo
Goldman Sachs Asset Management
High View Capital Management
HL Chapman Investments Ltd.
Indosuez Capital
Julius Baer Asset Management
Kaiser-Francis Oil Company
Kingdon Capital Management
Manufacturers & Traders Trust Co.
Merchant Securities
MM&B Holdings LLC
Nationwide Provident
Pioneer Insurance Group
Plains LTD
Spectrum Advisory Services, Inc.
Putnam Investment Management
Ricco Family Partners
Royce & Associates, LLC
Sanibel L.P.
TJK Partners Inc.

Bondholders of 11 3/4% Senior Discount Notes

AJM Holdings
Alexander Capital Management
Allian of America, Inc.
Atlantic Security Bank
American Express Financial Management
Bank of Butterfield Bermuda
Bank of Montreal
Cardinal Partners
Chase Manhattan Bank
CIBC Oppenheimer
Credit Suisse Asset Management, LLC
Conseco Capital Management, Inc.
Delaware Investment Advisers, Inc.
DKR Saturn Event Driven Holding Fund Ltd.
Euroclear Main Account
EWR Investments
F&C Management Limited
GLG Partners
Goldman Sachs Asset Management
Gryphon Capital Corp., LLC
I.G. Investment Management, Ltd.
Invesco Funds Group
Kaiser-Francis Oil Company
Kingdom Capital Management Corp.
Lap Investments
Merchant Securities
Merrill Lynch Investment Managers (U.K.)
Millennium Partners
ML CBO
Morgan Stanley Investment Management, Inc.
Mount Washington CBO
New York Life Insurance Company
Patsy R Smith Investments LP
Phoenix Administration Services
Romulus Holdings Inc.
Silver Point Capital Management
Tejas Securities Group
Trident Trust Co.

Professionals

Akin, Gump, Strauss, Hauer, Feld LLP
FTI Consulting
Greenhill & Co.
KPMG Peat Marwick
Paul, Hastings, Janofsky & Walker LLP

Landlords

111 Chelsea LLC c/o Insignia/ESG, Inc.
1120 Vermont Avenue Associates
1400 Centrepark Limited
1415 Louisiana K/LTD
1515 Market Street Associates c/o West World

Management, Inc.
1818 Market VEF II, LLC c/o Albert B. Ashforth, LLC
2255 Partners, L.P. c/o M. David Paul Development LLC
75-101 Federal St., L.L.C. c/o Equity Office Properties Trust
9706 LLC
ADA Properties No. 2, Ltd.
Allegheny Center Associates
AMB Property L.P.
ASP Valley Forge, L.P.
Bank Building Limited Partnership
Bank of America, N.A. c/o Trammell Crow Company
BHX, LLC c/o The Bulfinch Companies, Inc.
Boston Properties Limited Partnership
BP Commerce, LLC
BRE/Metrocenter LLC c/o Realty Management Company
CalEast Industrial Investors, LLC, Herndon Spring Park c/o CB Richard Ellis
Callowhill Management, Inc.
Carlyle Airport Technology Trust
Chippewa Enterprises, Inc.
CIN Meadows, LLC c/o Linque Management Company, Inc.
Connecticut General Life Insurance c/o CarrAmerica Realty Corporation
Conservation International Foundation
Cornerstone Suburban Office, L.P.
Distribution Drive, L.P.
Downtown Properties LLC
Eastridge Properties I Corporation
Electronic Data Systems Corporation
EOP Second and Spring, L.L.C. c/o Equity Office Properties Trust
EOP Summit Limited Partnership
Equity Office Properties Trust
Equity Office Properties
Exchange Center Partnership c/o John J. Roper Company
First Industrial Development Services, L.P.
First Parker Realty L.L.C.
FRM Associates, LLC c/o Marquette Plaza
FSP Telecom Business Center
G&C Realty Company, LLC c/o Hotel Edison
Gaedeke Holdings, Ltd.
Gary A. Jones, Trustee of the Jones Family Trust
Gateway Taft, Inc. c/o RREEF Real Estate Investment Managers
Globe Building Company
Great Lakes REIT, L.P.
Green 90 Broad, LLC
Guardian Westwood LLC
Hitachi Electronic Devices

Hood Business Park LLC
 Hudson Telegraph Associates
 Indianapolis Spec Office Investments, L.P.
 Insignia/ESG Sunnyvale
 JER/BRE Austin Tech, L.P. c/o Trammell Crow
 Central Texas, Ltd.
 Jetstar Partners, Ltd. C/o Collinternational, Inc.
 John D. and Catherine T. MacArthur Foundation
 John Hancock Mutual Life Insurance Company
 Jones Lang LaSalle Management Services I
 KM Complex, L.P.
 L.A.T. Investment Corporation
 LA/GA Business Centers, Inc. c/o Ackerman &
 Company
 Lake Street Industrial Partners
 Lakeview Business Center
 Laurel Office Park Partnership III
 Madison Third Building Companies, LLC c/o Cohen
 Brothers Realty Corporation
 Marietta Street Partners, LLC
 Massachusetts Mutual Life Insurance Company c/o
 Transwestern Commercial Services
 Meadowlands Investments, L.L.C.
 Mendota Office Holdings LLC c/o United Properties
 Miami RPFIV Airport Corporate Center Associates
 Midway Commerce Park Properties, L.P.
 Multi-Employer Trust/Riggs Bank c/o Trammell
 Crow Company
 NCX Office Development, L.P.
 NeXcomm Asset Acquisition I, L.P.
 Northwestern Corporate Center Associates, L.P.
 North Hayward Corporate Center Associates
 Northwestern Development Company "B" c/o Blake
 Real Estate Inc.
 Oakcrest Development c/o Lewis Operating
 Corporation
 Olympia Properties, L.L.C. c/o Jones LaSalle
 Management Services, Inc.
 Orange County Business Center LLC
 PERA I-373, Inc. c/o Jones Lang LaSalle
 PhilaCompany
 Principal Properties, L.P. c/o Denholz Management, Inc.
 Prospect West C.L.P.
 Pyramid Investment Corporation
 Rockside Square One c/o The King Group
 Rostand Associates, L.L.C.
 Scott Properties
 Shurgard of Melville
 SM Brell, L.P.
 Southfield TechnceCenter RE 1, L.L.C.
 St. Paul Properties, Inc.
 Stanplace Limited Partnership
 Sterling Network Exchange, LLC
 Teachers Insurance & Annuity Association of
 America c/o CB Richard Ellis
 The Irvine Company

The Pennsylvania Building Company
 Thomas Properties Group LLC
 Touchstone Partners I LLC c/o Integrated Real Estate
 Services, L.L.C.
 T-Pac Investments, Inc. c/o Essex Realty
 Management
 T-REX Technology Centers, LLC
 Trinity National Corporation
 Trizec Holdings, Inc.
 Troy Place Associates c/o Nemer Property Group
 W5 Brannan LP
 Wachovia Bank, N.A.
 WE'RE Associates
 Webster Street Partners, Ltd.
 WHVPW Real Estate Limited Partnership c/o
 Trammell Crow Company
 WMP IV Real Estate Limited Partnership
 WXIII/FAR Yale Real Estate Limited Partnership
 Zink Family Limited Partnership

Insurers

Marsh USA
 Unimark Insurance Agency, Inc.

Equity Security Holders

Anthony Parella
 Barclays Global Investors
 California Public Employees Retirement System
 Charles Daniel Yost
 Dimensional Fund Advisors Inc.
 Frontenac Funds
 James Crawford
 JHC Capital Management, LLC
 Madison Dearborn
 Morgan Stanley Investment Management
 Olive Hill Investments
 OverHill Investment
 Palo Alto Investors
 Royce & Associates, L.L.C.
 Royce J. Holland
 State Street Global Advisors
 Thomas M. Lord
 Vanguard Group, Inc.
 West Highland Capital Inc.

Beneficiaries of Letters of Credit

111 Eighth Avenue LLC
 805 Third Avenue Co.
 Hartford Fire Insurance Company
 Pyramid Investment Corporation
 Rockside Square One
 Spaulder and Slye Services LP
 Touchstone Partners I LLC

Significant Vendors

Adtran Inc.
Advance Telecom Res.
Alcatel Inc.
Ameritech
Assured Industries
AT&T
Broadwing Communication Services
Daleen Solutions Inc.
DSET Corporation
Edocs Inc.
EMC Corporation
Extreme Networks
JP Morgan Chase
Looking Glass Networks
Lucent Technologies Inc.
Metromedia Fiber Network Inc.
MFS Telecom Inc.
NCX Office Developer LP
NEC America, Inc.
Nortel Networks
Pacific Bell
Qwest
Southern California Edison
Southwestern Bell
Sprint
Sunbelt Telecommunications
System Services
The Point Group
Verizon
Verizon (GTE-SW) - Line Coast
Walker & Associates
WorldCom Inc.
XO Communications

Significant Customers

Genuity
Southern Illinois University
Verizon
SBC
Level 3 Communications, LLC
Office Depot
TJMAXX
AT&T
Qwest
Worldcom
Center For Disease Control
New York Hospital
Beebe Medical Center
Cathedral Healthcare
City of Atlanta
New York Housing Authority
Iron Mountain
Phila/Police Association

San Joaquin Valley Unified Air Pollution Control Dist.
Digital Federal Credit Union
Ritz Carlton
Banner Health System
Swiss Re Financial Services
United States Army Reserve Center
Palmer & Dodge, LLP
Auburn University - Telecom Bldg.
Kaplan Inc.
Cozen & O'Connor
Boston College
Bell South
EMC Corp.
Odyssey Rassurance Holdings- Kuhl Avenue
Concord Communications
Phila/Youth Study Center
Harcourt Inc-Orlando
Harris County Hospital District
Arch Chemicals
ABC Unified School District
IDX Systems
Trinity Medical Center
Stop & Shop
Concord City Hall
Millpore Corporation
Global Crossing
Sprint
Bristol Hospital/SIC Healthcare
Queen of the Valley
Medical Manager
Arizona Dept. of Transportation
Martha Stewart Living

Major Competitors

AT&T
BellSouth
LDMI/MPower
MCI WorldCom
McLeod
Qwest
SBC
Time Warner Telecom
Verizon

Judgment Lien Holder

Stephen Wrathell, CPA, PC

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

	X	
In re	:	
	:	Chapter 11 Case No.
Allegiance Telecom, Inc., <u>et al.</u> ,	:	03-13057 (RDD)
	:	
Debtors.	:	Jointly Administered
	X	

**ORDER PURSUANT TO SECTIONS 105 AND 363 OF THE BANKRUPTCY CODE
APPROVING THE SERVICES AGREEMENT WITH IMPALA PARTNERS, LLC**

Upon the motion (the "Motion"), dated July 11, 2003 of Allegiance Telecom, Inc. and its direct and indirect subsidiaries, as debtors and debtors in possession (collectively the "Debtors") for an order pursuant to sections 105 and 363 of title 11 of the United States Code (the "Bankruptcy Code") approving the services agreement with Impala Partners, LLC (the "Agreement"), dated July 11, 2003, all as more fully set forth in the Motion; and it appearing that this Court has jurisdiction to consider and determine the Motion as core proceeding pursuant to 28 U.S.C. §§ 157 and 1334; and it appearing that the relief requested in the Motion is in the best interests of the Debtors' estates, their creditors, and other parties in interest; and it appearing that due and proper notice of this Motion has been given; and after due deliberation and sufficient cause appearing therefor; it is hereby

ORDERED that the Motion is granted; and it is further

ORDERED that the Agreement is hereby approved in its entirety; and it is further

ORDERED that the are authorized to employ Impala Partners, LLC to provide management services to the Debtors on the terms and conditions set forth in the Agreement; and it is further

ORDERED that all compensation and reimbursement due to, and other rights of, Impala Partners, LLC in accordance with the Agreement, including, without limitation

indemnification obligations, shall be treated as an allowed administrative expense under section 503 of the Bankruptcy Code and shall be paid in accordance with the terms and provisions of the Agreement; and it is further

ORDERED that all compensation and reimbursement of expenses to be paid to Impala Partners, LLC shall be subject to prior approval of this Court in accordance with the requirements of sections 330 and 331 of the Bankruptcy Code and the order of this Court establishing procedures for monthly compensation and reimbursement of expenses for professionals, dated June 13, 2003; and it is further

ORDERED that to the extent that there may be inconsistency between the terms of the Motion, the Agreement or this Order, the terms of this Order shall govern; and it is further

ORDERED that the Court shall retain jurisdiction over any and all disputes arising under or otherwise relating to the construction, performance and enforcement of the terms and conditions of the Agreement.

Dated: New York, New York
_____, 2003

UNITED STATES BANKRUPTCY JUDGE